

Message Text

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15

ACTION TRSE-00

INFO OCT-01 EA-11 ADP-00 NEA-10 IO-12 AID-20 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15

STR-08 CEA-02 L-03 H-02 PA-03 PRS-01 USIA-12 RSR-01

/164 W

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R 180856 Z MAY 73

FM AMEMBASSY MANILA

TO AMEMBASSY KABUL

INFO SECSTATE WASHDC 5330

LIMITED OFFICIAL USE MANILA 5809

USADB

E. O. 11652: ADS, DECLAS 11-18-73

TAGS: EAID, EFIN, AF, BEXP

SUBJECT: ADB PROCUREMENT

REF: (A) KABUL 3484

(B) MANILA 4007

(C) KABUL 1748

(D) MANILA 0700

1. MISSION CORRECT ASSUMING PROCUREMENT UNDER ADB LOANS FROM SPECIAL FUNDS GENERALLY LIMITED TO MEMBERS HAVING CONTRIBUTED TO SPECIAL FUNDS, BUT WITH QUALIFICATION PARA 2 B BELOW.

2. MANILA COMMENT PARA 9 REF. B, MENTIONED REF A, WAS IN RESPONSE TO KABUL COMMENT REF C, AND MADE FOR TWO REASONS.

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A. FIRST AND MAINLY, WAS OUR HOPE THAT CONGRESS WOULD APPROPRIATE U. S. SPECIAL FUNDS CONTRIBUTION THIS YEAR, AND IF TIMING WERE RIGHT U. S. CONSULTANTS/ CONTRACTORS WOULD THEN BE ELIGIBLE. APPROPRIATION NOW BEFORE CONGRESS.

B. SECOND, ADB'S SPECIAL FUNDS INCLUDE LIMITED AMOUNT OF SET- ASIDE FUNDS FROM ORDINARY CAPITAL (UP TO 10 PERCENT OF PAID- IN CAPITAL CAN BE SO SET ASIDE) USABLE FOR PROCUREMENT IN ANY ADB MEMBER COUNTRY. BY END-1972, \$26.6 MILLION HAD BEEN SO SET ASIDE, COMPARED TO \$195.8 MILLION IN CONTRIBUTED FUNDS, MOST OF WHICH HAS BEEN COMMITTED. ADB HAS PERMITTED USE OF SET- ASIDE TO PROCURE GOODS AND SERVICES FROM NON- CONTRIBUTING MEMBER COUNTRIES IN VERY SPECIAL CASES, MAINLY FOR SPARE PARTS TO REHABILITATE EXISTING MACHINERY OR CONSULTANTS WITH UNIQUE QUALIFICATIONS/ EXPERIENCE NEEDED FOR PROJECT AND NOT AVAILABLE FROM CONTRIBUTING MEMBER COUNTRIES.

3. RE QUESTION PARA 2 REF A, BANK FOLLOWS NATIONALITY RULE IN EQUIPMENT PROCUREMENT - COMPANY IS OF COUNTRY IF REGISTERED OR INCORPORATED THERE, REGARDLESS OF FINANCIAL RELATIONS OR OWNERSHIP NATIONALITY. CRITERIA FOR WHETHER GOODS PRODUCED IN COUNTRY GENERALLY BASED ON WHETHER FINAL FORM HAS CHANGED OR ADDITION OF LOCALLY PRODUCED ELEMENTS, WHICH WOULD MAKE DOUBTFUL A CASE OF MERE ASSEMBLY. IN SOME CASES, DIFFERENT CRITERIA STIPULATED BY SPECIAL FUNDS CONTRIBUTING COUNTRY IN CONTRIBUTION AGREEMENT, E. G. CANADA AND AUSTRALIA EACH PRESCRIBE SPECIFIC IMPORT CONTENT TO QUALIFY PRODUCT AS HAVING BEEN PRODUCED IN THEIR COUNTRY.
HAMILTON

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*** Current Classification *** LIMITED OFFICIAL USE

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